

Uncompensated Care Pool Quarterly Report, PFY04 Q1

About this Report

As required by Section 23, Chapter 47 of the Acts of 1997, the Division of Health Care Finance and Policy (DHCFP) publishes quarterly reports on the demographics and utilization patterns of individuals whose medical care is paid for by the Uncompensated Care Pool (UCP or 'the Pool'). This report covers Pool activity during the first quarter of Pool Fiscal Year 2004 (PFY04) from October 1, 2003 through December 31, 2003 (Q1), and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Analyses of the utilization patterns of Pool users are based on claims for services billed to the Pool by each acute care hospital and community health center (CHC) in the Commonwealth. Demographic information is taken primarily from free care applications used by these facilities to determine eligibility and then submitted to the Division. Total charges and allowable free care costs are based on monthly reports submitted to the Division by each hospital and CHC. The most recently available data are used in all cases. See Data Notes at the end of this report for further information on the data used in the analyses provided here.

This report is organized into three sections containing the following information on Pool activity during PFY04 Q1:

- *Pool Utilization Statistics*, including the number of individuals whose medical expenses were billed to the Pool, the volume of services provided to Pool users, and the costs to the Pool of that care;

- *Pool User Demographics*, including the volume of services and costs by age, gender, family income, and family size; and
- *Services Billed to the Pool*, including details on the types of services received by Pool users, inpatient and outpatient volume and costs by age and gender, type of inpatient admission, top reasons for care, and average costs for inpatient discharges and outpatient visits.

Uncompensated Care Pool Overview

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and CHCs to eligible low-income uninsured and underinsured individuals. In addition, the Pool reimburses hospitals for emergency services for uninsured individuals from whom the hospitals are unable to collect payment (these are known as emergency bad debt charges or ERBD). The Pool is always the payer of last resort on any claim. If an individual is uninsured, the Pool is the primary and only payer. However, if another public or private insurer is the primary payer, the Pool can be charged for the balance of charges for which the eligible individual is responsible. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3100, or visit www.mass.gov/dhcfp.

Beginning in PFY04, the UCP payment method for hospitals changed from a retrospective fee-for-service

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system to a prospective fixed-payment system. Under the new system, acute care hospitals are paid a pre-determined amount from the Pool each month based in part on historical free care costs. CHCs continue to be paid on a fee-for-service basis up to an annual cap that is set for total CHC expenditures. See the appendix of this report for a summary table of the sources and uses of Pool funds comparing PFY03 and PFY04 Q1.

Pool Utilization Statistics

Number of Individuals Using the Pool

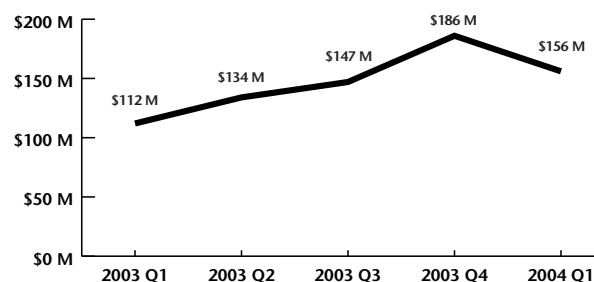
In PFY04 Q1, medical expenses for an estimated 182,430 individuals were billed to the Pool. In the prior quarter (PFY03 Q4), medical expenses for 192,602 individuals were billed to the Pool. The fact that there were fewer users in PFY04 Q1 than in PFY03 Q4 may have been due to an increase in claims written off to the Pool during PFY03 Q4 before the change to a fixed-payment system in PFY04.

In PFY03, medical services for 405,693 individuals were billed to the Pool; over a third (36%) of these individuals received services during the first quarter of that year.¹ If this same pattern occurs in PFY04, the estimated number of users in PFY04 will be 506,000 individuals, a 25% increase over PFY03.

Allowable Costs Billed to the Pool

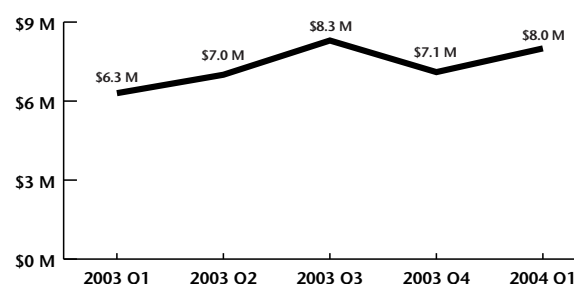
In PFY04 Q1, hospitals billed approximately \$155.8 million in projected allowable free care costs² to the Pool, a 16% decrease from the \$185.6 million billed to the Pool in PFY03 Q4. Again, this relative decrease may have been caused primarily by an increase in services billed to the Pool during PFY03 Q4. Costs in PFY04 Q1 continued the general upward trend in costs billed to the Pool during PFY03 (see Figure 1A). Total projected costs to the Pool in PFY03 equaled approximately \$577.9 million, or an average of \$144.5 million per quarter.

Figure 1A: Projected Quarterly Allowable Hospital Costs, PFY03-PFY04 Q1 (in millions)



Source: DHCFP Uncompensated Care Pool claims data

Figure 1B: Quarterly Payments to CHCs, PFY03-PFY04 Q1 (in millions)



Source: DHCFP Uncompensated Care Pool claims data

CHCs received \$8.0 million during PFY04 Q1. This represents a 13% increase over the \$7.1 million in payments made to CHCs during the previous quarter, PFY03 Q4 (see Figure 1B).

¹ The seemingly high percentage (36%) of users in the first quarter reflects the method used to calculate the number of users in a quarter versus a full year, and is not due to overly high utilization rates during the quarter. The user count for a quarter is the number of individuals who received services in that particular quarter; the user count for a year is the number of individuals who received services at any point during the year. Therefore, an individual who received services in the first and fourth quarters would be counted as a user in both the first and fourth quarters, but would only be counted as one user for the Pool year as a whole.

² These are projected costs based on the charges submitted to the Pool by each hospital multiplied by that hospital's interim cost-to-charge ratio.

Table 1: Total Service Volume and Costs by Hospital and CHC, PFY04 Q1

	Service Volume	Percent of Total Volume	Allowable Costs to the Pool	Percent of Total Costs
Total Inpatient Discharges	10,427	2%	\$54,514,165	33%
Total Outpatient Visits*	437,926	84%	\$101,240,591	62%
Total Hospital Discharges/Visits**	448,353	86%	\$155,754,756	95%
CHC Visits	72,988	14%	\$8,026,503	5%
Total Hospital and CHC Volume	521,341	100%	\$163,781,259	100%

* Outpatient Visits include visits to hospital outpatient departments and hospital-licensed community health centers.

** 85% of the service volume and 80% of costs were for regular free care services; 15% of service volume and 20% of costs were for emergency bad debt services (ERBD).

Source: DHCFP Uncompensated Care Pool claims and eligibility data

Volume of Services Provided

Table 1 summarizes the volume and costs of services billed to the Pool during PFY04 Q1. As in previous years, inpatient discharges represented a small percentage (2%) of the volume but a large percentage of allowable free care costs (33%). In contrast, hospital outpatient visits (including visits to hospital-licensed health centers) accounted for 84% of services provided and 62% of costs. The remaining 14% of services and 5% of costs were for services delivered at free-standing CHCs.

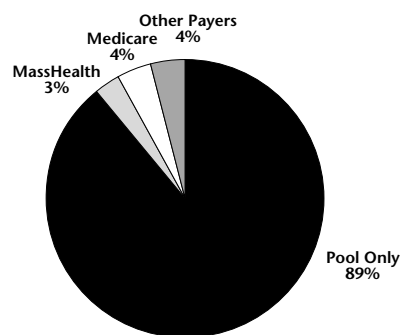
Hospital services provided to individuals who had applied for and been determined eligible for free care accounted for 85% of all services and 80% of allowable hospital costs billed to the Pool. The remaining 15% of hospital services and 20% of allowable costs were for uncollectable emergency bad debt (ERBD) services.

Pool User Demographics

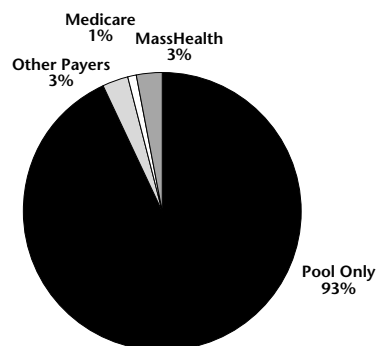
In PFY04 Q1, the demographic characteristics of Pool users remained essentially unchanged from the previous two years, with the majority of Pool users being uninsured, single, childless adults ages 19 to 64, with very low incomes.

Insurance Status of Pool Users

The vast majority of Pool users were uninsured; almost 90% of all medical services billed to the Pool and 93% of costs were for individuals who reported having no insurance, and for whom the Pool was the primary and only payer. As such, the Pool paid for all medically necessary services for these uninsured individuals. The remainder of the Pool user population was covered by other public or private insurance,

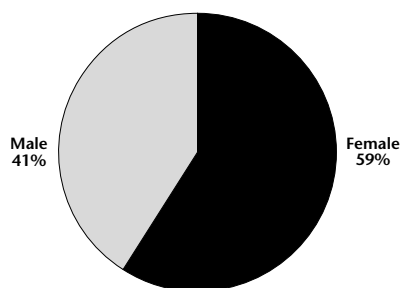
Figure 2A: Percent of Total Pool Service Volume by Primary Payer, PFY04 Q1

Source: DHCFP Uncompensated Care Pool claims and eligibility data

Figure 2B: Percent of Total Hospital Costs by Primary Payer, PFY04 Q1

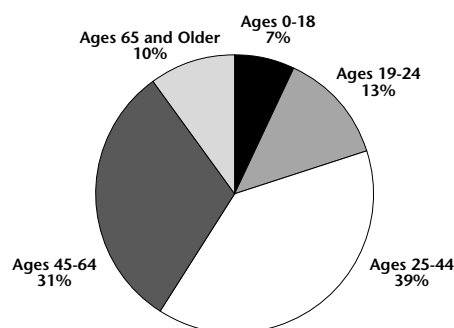
Source: DHCFP Uncompensated Care Pool claims and eligibility data

Figure 3A: Percent of Total Hospital Service Volume by Gender of Patient, PFY04 Q1



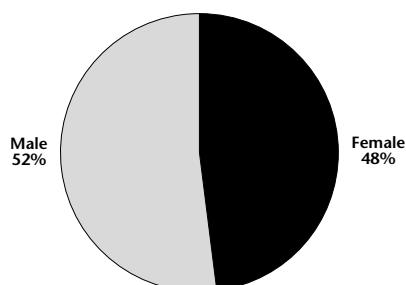
Source: DHCFP Uncompensated Care Pool claims and eligibility data

Figure 4A: Percent of Total Hospital Service Volume by Age of Patient, PFY04 Q1



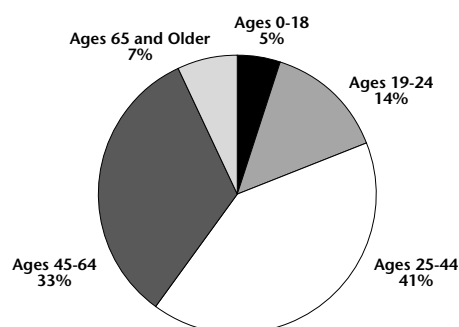
Source: DHCFP Uncompensated Care Pool claims and eligibility data

Figure 3B: Percent of Total Hospital Costs by Gender of Patient, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

Figure 4B: Percent of Total Hospital Costs by Age of Patient, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

but the Pool was billed for any uncovered services, copayments, and deductibles. For this underinsured population, MassHealth was the primary payer for 3% of service volume and 3% of costs billed to the Pool, Medicare was the primary payer for 4% of services and 1% of costs, and other commercial and government programs were the primary payers for 4% of services and 3% of costs (see Figures 2A and 2B). When Medicare or other payers were the primary payers, costs to the Pool represented a slightly lower percentage of total costs than of service volume. This difference reflects the fact that when the Pool is the only payer, it is billed for all medically necessary ser-

vices, but when other payers are primary, the Pool is billed only for uncovered services, copayments, and deductibles, which are likely to be much lower in cost.

Utilization Patterns by Gender

As in previous years, men in the Pool user population used fewer services than women (41% of services billed to the Pool were for men versus 59% for women), but generated more hospital costs (52% for men versus 48% for women) billed to the Pool (see Figures 3A and 3B). This difference reflects a difference in utilization patterns; men are more likely than

women to receive inpatient hospital care, which accounts for higher costs to the Pool, while women more typically receive outpatient services (see also Figures 7A and 7B).

Utilization Patterns by Age

The Pool primarily pays for services for non-elderly adults. Young adults ages 25 to 44 received the largest percentage of services (39%), while the entire non-elderly population ages 19 to 64 received 83% of the total service volume (see Figure 4A). The distribution of hospital costs by age shows this same pattern (see Figure 4B).

Utilization Patterns by Income

The majority of Pool users were low-income, single adults (see Figures 5A and 6A). Almost three-quarters of services billed to the Pool were for individuals with incomes less than 200% FPL, who were thereby eligible for full free care. Interestingly, Pool users with no income accounted for only 18% of service volume, but represented 26% of allowable hospital free care costs (see Figures 5B and 6B); as a group, they were more costly than other Pool users. In contrast, the group of Pool users with family incomes between 101% and 200% FPL was less costly and accounted for 31% of claims, but for only 24% of costs. ERBD claims were also relatively costly, accounting for 13% of service volume, but 20% of costs.

Utilization Patterns by Family Size

Almost two-thirds (64%) of service volume and costs to the Pool are for one- or two-person families. Half of all services were for single, childless adults, and another 15% were for two-person families comprised of two adults, or an adult and child.

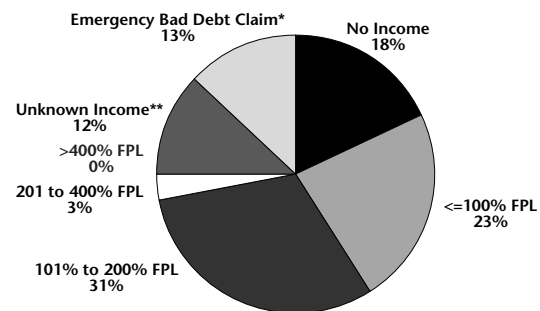
Utilization Patterns of the Pool Population: Services Billed to the Pool

Except where noted, the utilization patterns found for PFY04 Q1 remained unchanged from those seen in previous years.

Hospital Utilization by Gender

As also occurred in earlier time periods, utilization of inpatient and outpatient services differed dramatically for men and women during PFY04 Q1.

Figure 5A: Percent of Total Hospital Service Volume by Family Income, PFY04 Q1

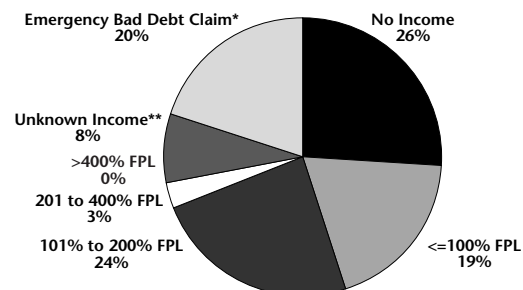


Source: DHCFP Uncompensated Care Pool claims and eligibility data

* Data on family size are unavailable for ERBD claims because there are no free care applications associated with these claims.

** A small percentage of free care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 5B: Percent of Total Hospital Costs by Family Income, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

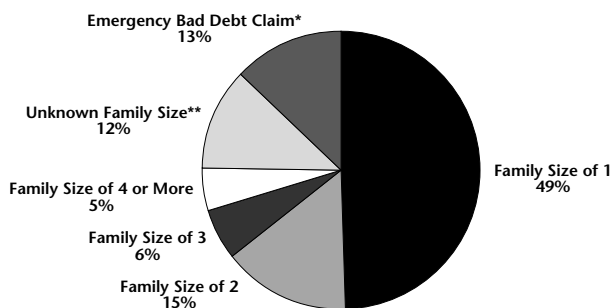
* Data on family size are unavailable for ERBD claims because there are no free care applications associated with these claims.

** A small percentage of free care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Fifty-nine percent (59%) of all inpatient services were for men, while 59% of outpatient services (including care in outpatient clinics and hospital-licensed CHCs) were for women (see Figure 7A).

The inpatient care for men accounted for 65% of inpatient costs billed to the Pool, or approximately

Figure 6A: Percent of Total Hospital Service Volume by Patient Family Size, PFY04 Q1

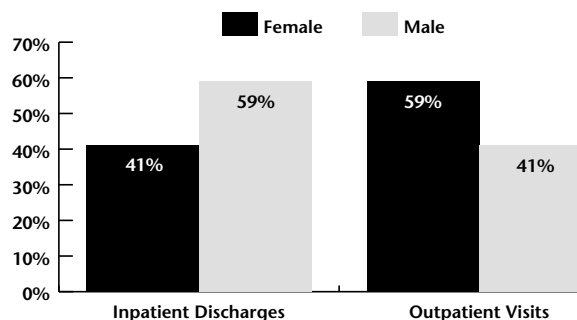


Source: DHCFP Uncompensated Care Pool claims and eligibility data

* Data on family size are unavailable for ERBD claims because there are no free care applications associated with these claims.

** A small percentage of free care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

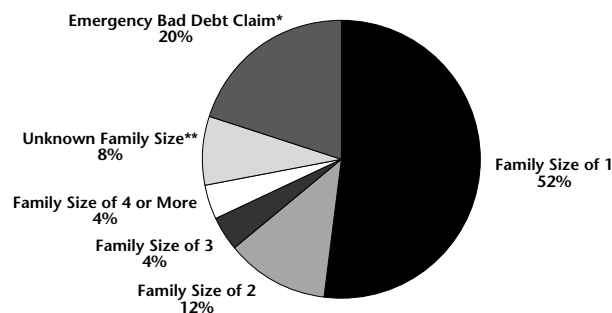
Figure 7A: Percent of Discharges and Visits by Claim Type and Patient Gender, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims data

* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 6B: Percent of Total Hospital Costs by Patient Family Size, PFY04 Q1

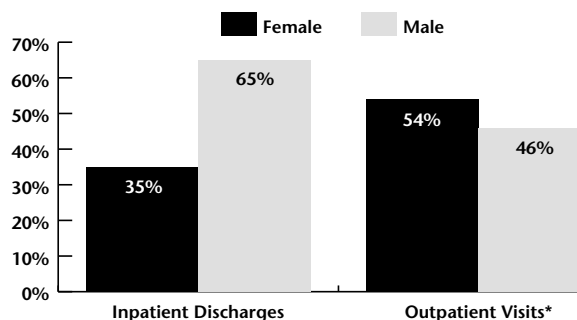


Source: DHCFP Uncompensated Care Pool claims and eligibility data

* Data on family size are unavailable for ERBD claims because there are no free care applications associated with these claims.

** A small percentage of free care claims could not be matched to a corresponding application, so information on family size is unavailable for these claims.

Figure 7B: Percent of Costs to the Pool by Claim Type and Patient Gender, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims data

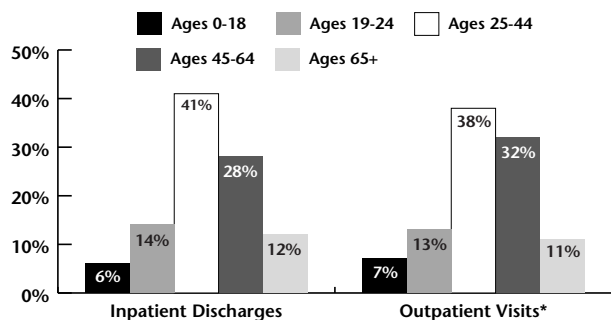
* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

\$35.4 million, while inpatient care for women accounted for 35% of inpatient costs, approximately \$19.1 million. In contrast, outpatient care for women accounted for over half (54%) of outpatient costs, approximately \$54.6 million, while care for men accounted for the remainder (46%), approximately \$46.6 million (see Figure 7B and Table 1).

Hospital Utilization by Age

Pool users ages 25 to 44 received the most care of any age group in both hospital inpatient and outpatient settings, and generated the highest percentage of costs. However, the inpatient care for Pool users ages 45 to 64 was disproportionately expensive; services for this group accounted for 28% of inpatient

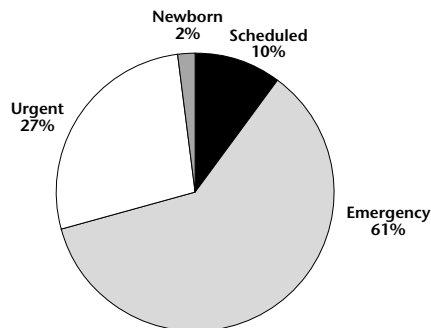
Figure 8A: Percent of Discharges and Visits by Claim Type and Patient Age, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

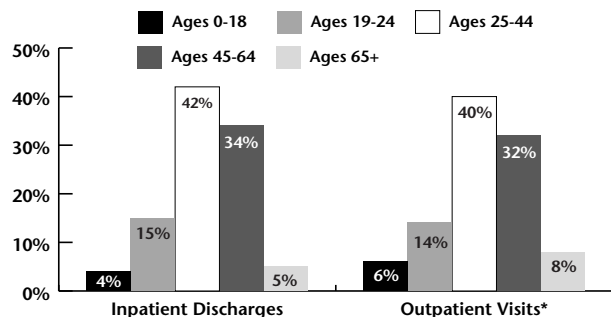
* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 9A: Percent of Inpatient Discharges by Admission Type, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

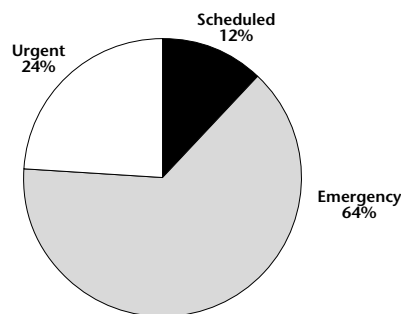
Figure 8B: Percent of Costs to the Pool by Claim Type and Patient Age, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

* Includes visits to hospital outpatient clinics and hospital-licensed CHCs.

Figure 9B: Percent of Costs to the Pool by Inpatient Admission Type, PFY04 Q1



Source: DHCFP Uncompensated Care Pool claims and eligibility data

discharges, but 34% of inpatient costs (see Figures 8A and 8B).

Type of Admission

Almost 90% of inpatient services were for emergency or urgent care; slightly less than two-thirds (62%) were for emergency care, and more than a quarter (27%) were for urgent care. An additional 9% were for scheduled or elective procedures (see Figure 9A). Emergency and elective admissions tended to be more expensive and made up a larger percentage of

total allowable free care costs than of volume, emergency admissions accounted for 64% of costs and 61% of volume, and scheduled admissions made up 12% of costs and 10% of volume (see Figure 9B).

Top Reasons for Inpatient Discharges

In PFY04 Q1, inpatient discharges for alcohol and drug related disorders increased significantly from PFY03 levels and became the leading reason for inpatient care: 15% of services in PFY04 Q1 versus 10% of services in PFY03 (see Table 2). This steep increase

Table 2: Top Inpatient Major Diagnostic Categories for Free Care Patients by Percent of Volume and Cost to the Pool, PFY04 Q1

MDC	Percent of Total Inpatient Discharges	Percent of Total Inpatient Costs
Alcohol/Drug Use & Induced Organic Mental Disorders	15%	11%
Circulatory Diseases and Disorders	12%	13%
Mental Diseases & Disorders	11%	14%
Digestive Diseases and Disorders	10%	10%
Respiratory Diseases and Disorders	8%	6%
Musculoskeletal Diseases and Disorders	6%	7%
Nervous System Diseases and Disorders	4%	6%
Hepatobiliary Diseases and Disorders	4%	5%
Pregnancy, Childbirth, and the Puerperium	4%	2%
Skin Diseases and Disorders	3%	3%
Endocrine, Nutritional, and Metabolic Diseases and Disorders	3%	3%
Total for Top MDCs	80%	80%

Source: DHCFP Uncompensated Care Pool claims and eligibility data

pushed discharges for circulatory disorders from being the most frequent reason for inpatient care in PFY03 into second place in PFY04 Q1. Discharges for alcohol and drug related disorders, and discharges for mental diseases and disorders represented 26% of all inpatient admissions in PFY04 Q1; in PFY03, these two categories represented only 21% of all admissions. One factor that may have contributed to the rise in substance abuse admissions was the termina-

tion of the MassHealth Basic program in the spring of 2003. This may have added a significant number of individuals with chronic substance abuse problems and mental disorders to the Pool user population.

Top Reasons for Outpatient Visits

Outpatient pharmacy services represented the largest share of outpatient volume (24%) in PFY04 Q1 (see Table 3). These were bills for outpatient phar-

Table 3: Outpatient Ambulatory Patient Groups (APGs) for Free Care Patients by Percent of Total Visits and Costs, PFY04 Q1

APG	Percent of Total Visits	Percent of Total Costs
Pharmacy	24%	14%
Laboratory Tests	6%	4%
Respiratory System Procedures	5%	11%
Radiology/Ultrasound/MRI	4%	8%
Mental Illness and Substance Abuse Therapies	5%	5%
Ear, Nose and Throat Diseases	5%	3%
Well Care	5%	3%
Trauma	3%	4%
Simple Musculoskeletal Diseases except Back Disorders	3%	2%
Digestive System Diseases	3%	4%
Cardiovascular System Diseases	3%	2%
Skin Diseases	3%	2%
Total for Top APGs	69%	62%

Source: DHCFP Uncompensated Care Pool claims and eligibility data

macy services only; when pharmacy services occurred along with other outpatient services, the bill was grouped under the primary service provided.

Average Cost per Inpatient Discharge and Outpatient Visit

The average cost per inpatient discharge and outpatient visit changed very little from PFY03 to PFY04 Q1 and remained approximately \$5,500 per inpatient discharge, and slightly more than \$200 per outpatient visit (see Table 4).

Pool Applications Database

Hospitals and CHCs began to submit electronic free care application forms to DHCFP in October 2000. Note that the application contains data as reported by the applicant. Documentation of income and residency is required; hospitals and CHCs review and maintain the documentation.

Matched Pool Applications and Claims Database

To the extent possible, the Division of Health Care Finance and Policy matches free care claims to

Table 4: Average Charge per Inpatient Admission and Outpatient Visit, PFY04 Q1 including Comparison Cost Data from PFY03

	Number PFY04 Q1	Hospital Costs to the Pool PFY04 Q1	Average Cost PFY04 Q1	Average Cost PFY03
Inpatient Discharges	10,427	\$54,514,165	\$5,228	\$5,300
Outpatient Visits	437,926	\$101,240,591	\$231	\$246
Total Inpatient Discharges/ Outpatient Visits	448,353	\$155,754,756	\$347	\$382

Source: DHCFP Uncompensated Care Pool claims and eligibility data

Data Notes

Data used in this analysis were drawn from the following sources:

Pool Claims Database

Hospitals and CHCs began electronic submission of claims to DHCFP in March, 2001. During PFY03, DHCFP began withholding payments from hospitals with incomplete data. As a result, compliance with data submission requirements has improved dramatically, and although variability exists among providers, the charges to the Pool reported in the claims database equal approximately 92% of the charges reported by hospitals on the monthly UCP charge statements they submit to DHCFP.

the corresponding free care application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match. To date, approximately 91% of free care claims have been matched to applications. A certain small percentage of claims remains unmatched because of timing issues (e.g., applications submitted after a free care claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

Appendix: Uncompensated Care Pool Sources and uses of Funds, PFY03-PFY04 Q1

Uncompensated Care Trust Fund

Budgeted Revenue Sources	PFY03	PFY04
Hospital Assessment	170.0	157.5
Surcharge Payers	100.0	157.5
General Fund Contribution		
Historic General Fund Contribution	30.0	30.0
Reinvested Federal Reimbursement (FFP)		110.0
Other Funding Sources		
Prior Fiscal Year(s) Balance		28.0
Tobacco Settlement Fund Transfer	30.0	
Enhanced FMAP Transfer		55.0
General Fund Transfer	15.0	35.0
Sec. 620 Grants to Community Health Centers		6.5
Total Sources	345.0	579.5

Uses of Funds	PFY03	PFY04
UCTF Pool Uses of Funds		
Hospitals	(313.5)	(380.0)
Audit Adjustments	4.7	0.0
Hospital Net After Audit Adjustments	(308.8)	(380.0)
Community Health Centers	(28.7)	(34.5)
Demonstration Projects (Historic Pool)	(3.1)	(3.0)
Administration/Data Collection	(1.0)	(2.0)
Reserves	(3.4)	0.0
Other UCTF Uses of Funds		
MassHealth Essential		(160.0)
Total Uses	(345.0)	(579.5)

Uncompensated Care Pool: Financial Summary

Hospitals	PFY03	PFY04 Q1 <i>only</i>
Hospital Payments*	308.8	95.0
Net Allowable Free Care Costs**	(525.8)	(155.8)
Hospital Shortfall	(217.0)	(60.8)
Community Health Centers		
Community Health Center		
Payments* (28.7)	(9.5)	
Net Allowable Free Care Costs**	(28.7)	(9.5)
CHC Shortfall	0.0	0.0
Free Care Surplus/(Shortfall)	(217.0)	(60.8)

* In PFY04 reimbursement to hospitals and CHCs were fixed amounts based on statute, which differs from reimbursement in prior years.

** Total Net Allowable Free Care is net of Other Supplemental Payments for Free Care Costs at DSH hospitals. For PFY03, Other Supplemental Payments totaled \$70M. Other Supplemental Payments for PFY04 are projected to be \$120M.

Note: PFY04 Net Allowable Free Care Cost updated as of 8/12/04